

HOOD CANAL COORDINATING COUNCIL

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

December 31, 2003

HOOD CANAL COORDINATING COUNCIL

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INDEPENDENT AUDITOR'S REPORT

August 30, 2004

To the Board of Directors
Hood Canal Coordinating Council
Quilcene, Washington

We have audited the accompanying statement of financial position of the Hood Canal Coordinating Council (a non-profit corporation) as of December 31, 2003 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Canal Coordinating Council as of December 31, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ball & Treger, LLP
BALL & TREGER, LLP

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2003**

ASSETS

| | |
|---|--|
| Cash and cash equivalents - Note 3 | \$ 7,627 |
| Grants receivable | 59,388 |
| Prepaid expenses | <u>1,561</u> |
| Total current assets | <u><u>68,576</u></u> |
| Furniture and equipment | |
| Furniture and equipment | 22,688 |
| Less accumulated depreciation | <u>(9,354)</u> |
| Total furniture & equipment, net | <u><u>13,334</u></u> |
| Total assets | \$ <u><u>81,910</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|------------------------------------|
| Accounts payable | \$ 10,868 |
| Employer retirement contribution payable | 17,547 |
| Annual leave liability | <u>4,323</u> |
| Total current liabilities | <u><u>32,738</u></u> |
| Net assets | |
| Unrestricted | <u>49,172</u> |
| Total net assets | <u><u>49,172</u></u> |
| Total liabilities and net assets | \$ <u><u>81,910</u></u> |

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
Year ended December 31, 2003**

| | <u>Unrestricted</u> |
|-------------------------------|-------------------------|
| Revenue | |
| Dues - Note 5 | \$ 27,450 |
| Grants - Note 6 | 342,353 |
| Other Income | 1,645 |
| Interest | 450 |
| Total revenue | <u>371,898</u> |
| Expenses | |
| Program | 289,786 |
| Management and general | 75,968 |
| Total expenses | <u>365,754</u> |
| Change in net assets | 6,144 |
| Net assets, beginning of year | <u>43,028</u> |
| Net assets, end of year | <u><u>\$ 49,172</u></u> |

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF CASH FLOWS
Year ended December 31, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------------|
| Change in net assets | \$ 6,144 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | |
| Depreciation | 4,513 |
| Loss on disposal of equipment | 1,200 |
| Decrease in accounts receivable | (46,046) |
| Increase in prepaid expenses | (334) |
| Increase in accounts payable | 8,536 |
| Increase in employer retirement contribution payable | 17,547 |
| Increase annual leave liability | 4,323 |
| Net cash provided (used) by operating activities | <u>(4,117)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------------|
| Purchase of equipment | <u>(2,034)</u> |
| Net cash provided (used) by investing activities | <u>(2,034)</u> |
| Net decrease in cash and cash equivalents | (6,151) |
| Cash and cash equivalents - December 31, 2002 | <u>13,778</u> |
| Cash and cash equivalents - December 31, 2003 | <u>\$ 7,627</u> |

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2003**

| | Programs | Management and General | Total |
|----------------------------------|-------------------|---------------------------|-------------------|
| Bank Charges | 0 | 79 | 79 |
| Payroll | 160,407 | 28,307 | 188,714 |
| L & I Expenses | 1,655 | 292 | 1,947 |
| Compensated Absences | 3,675 | 648 | 4,323 |
| Employer Retirement Contribution | 14,915 | 2,632 | 17,547 |
| B & O Taxes | 0 | 505 | 505 |
| Copy/Printing | 366 | 366 | 732 |
| Depreciation | 0 | 4,513 | 4,513 |
| Dues & Subscription | 280 | 49 | 329 |
| Equipment | 531 | 94 | 625 |
| Insurance | 0 | 20,202 | 20,202 |
| Meetings & Entertainment | 727 | 128 | 855 |
| Office Supplies | 6,131 | 1,082 | 7,213 |
| Other Expense | 52 | 0 | 52 |
| Phone/Fax/Internet | 8,305 | 1,465 | 9,770 |
| Postage | 586 | 103 | 689 |
| Prof Fees/Acctg | 0 | 10,640 | 10,640 |
| Prof Fees/Consulting | 74,901 | 0 | 74,901 |
| Rent | 4,875 | 1,625 | 6,500 |
| Repairs | 0 | 1,386 | 1,386 |
| Travel & Training | 12,380 | 652 | 13,032 |
| Loss on Disposal of Assets | 0 | 1,200 | 1,200 |
| | <u>\$ 289,786</u> | <u>\$ 75,968</u> | <u>\$ 365,754</u> |

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 – DESCRIPTION OF ORGANIZATION

Hood Canal Coordinating Council (the "Council") is located in Quilcene, Washington. The Council was established in 1985 under an interlocal agreement between Jefferson, Kitsap, and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. The Council was formed in response to concerns about water quality problems and related natural resource issues in the Hood Canal watershed. The Council's primary activity is to assure the existence of wild salmon in Hood Canal for the next 150 years.

On November 21, 2000, the Council became a Washington Non Profit corporation. Prior to its establishment as a corporation, Kitsap County processed the Council's financial activities. The initial funding of the Council as a non profit corporation was the transfer of the net assets held by the County. This amount totaled \$18,543 and was recorded as a contribution for the year ended December 31, 2001. Income of the Council is derived primarily from local counties and tribes dues and state grants funding specified projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: The Council has adopted Statement of Financial Accounting Standards (SFAS) No.117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No.117, the Council is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The Council also has adopted SFAS No. 116 "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor imposed restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2003, there were no contributions received by the Council and all revenue has been properly classified as unrestricted.

Federal Income Taxes: On July 3, 2002, the Council received notice from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code retroactive to November 21, 2000.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair market value if donated. The Council follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

Depreciation: Depreciation is provided on a straight-line method over the estimated useful lives of the assets, five to seven years.

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash Equivalents: For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Programs consist of salmon recovery planning, habitat monitoring assessment program, and the Hood Canal Community Near Shore Restoration program. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2003:

| | |
|------------------------|-----------------|
| US Bank – checking | \$ 6,170 |
| US Bank – money market | 1,457 |
| | <u>\$ 7,627</u> |

NOTE 4 – LEASES

The Council leases office space from the USDA Forest Service in exchange for the USDA Forest Service's membership in the Council. The amount recognized as revenue and an expense in 2003 was \$6,000.

The Council also leases cars from the Port Gamble Band of S'Klallam Indians, a member of the board. The lease is an operating lease and total payments of \$6,067 were made in 2003.

NOTE 5 – DUES

Dues are paid by primarily by counties and tribes surrounding the Hood Canal that wish to participate in the activities and Board of Directors of the Council. Dues for the year ended December 31, 2003 consisted of the following:

| | |
|------------------------------|------------------|
| Kitsap County | \$ 10,000 |
| Jefferson County | 6,450 |
| Mason County | 2,500 |
| United States Forest Service | 6,000 |
| Port Gamble S'Klallam Tribe | 2,500 |
| | <u>\$ 27,450</u> |

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 6 – GRANTS and CONTRACTS

Grants and contracts are received by the Council to further their mission. Grants and contract revenues and receivables are recorded to the extent of costs incurred and billable as most grants and contracts are cost reimbursable. For the year ended December 31, 2003, grants and contracts were received by the council from the following entities:

| | |
|-----------------------------------|-------------------|
| WDFW SRLE Grant 01-02 | \$ 12,000 |
| WDFW 03-1002 | 54,330 |
| WDFW 38030380 | 120,000 |
| USFW | 14,793 |
| IAC Planning Grant | 124,568 |
| IAC Habitat Project | 1,345 |
| IAC Habitat Inventory 01-1393N | 5,368 |
| Washington State Parks Commission | 5,607 |
| NW Indian Fisheries Commission | 2,442 |
| PSAT Byways Grant | 1,900 |
| | <u>\$ 342,353</u> |

NOTE 7 – RETIREMENT PLAN

Effective January 1, 2003, all four contractors in 2002 became employees. As part of employee benefits, Hood Canal Coordinating Council established a 401(k) cash or deferred plan. All employees, who were employees as of January 1, 2003, became eligible to participate in the plan. Future employees will become eligible upon reaching age 21 and after completing 1 hour of service. The vested interest in all employee accounts will be 100% at all times. For the year ended December 31, 2003, the employer's discretionary contribution was \$17,547, 10% of the participants' salaries.